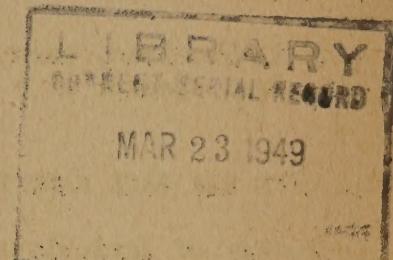


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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

March 7, 1949

PRESS DIGEST



BOTH SIDES LINE UP FOR POWER BATTLE, New York Times 1-30-49

Three events in widely separated geographic and political areas converged last week and gave sharp emphasis to the controversy inherent in the issue of public versus private power. They also reflected the long strides that the former has made here and in England, and posed what the private utilities termed an imposition of an ideological threat unequaled since the creation of the Tennessee Valley Authority fourteen years ago.

First, from Washington, came President Truman's proposal on Monday for extension of the TVA idea into the Pacific Northwest. The immediate reaction of private utility executives to the creation of a Columbia Valley Authority gave every indication of a vigorous battle to defeat the measure when it comes before Congress soon.

Finally, close to 4,000 proponents of rural electrification prepared to convene at the Commodore Hotel tomorrow for the seventh annual meeting of the National Rural Electric Cooperative Association to hear and discuss Government officials' opinions on various aspects of public power and the effect it will have on the national economy.

The critics contend, and with increasing emphasis, that the Federal Government should confine its activities "to those tasks which only it can perform leaving to the states and free enterprise those things that they can best do." Specifically, they mean that the business of generating, transmitting and distributing electricity should be left in the hands of free enterprise.

Private power men, typified by P. L. Smith, declared: "It is to be hoped that those drafting legislation looking to development of our resources in the Northwest will keep in mind the effective contribution made by the electric companies there in serving the power needs of the area. That is one reason why there is so much opposition to plans emanating from Washington to destroy the electric companies."

At sharp variance with such thinking are the speakers who will address the four-day convention of the NRECA, following the opening tomorrow when Mayor O'Dwyer will welcome the delegates. Among leading proponents of public power whose remarks promise to be high lights of the meeting are Senator George D. Aiken, Democrat, of Vermont, who has championed rural electrification and the St. Lawrence Seaway and Power Project, and Senator Estes Kefauver, Democrat, of Tennessee, a staunch advocate of the TVA.

John R. Steelman, executive assistant to President Truman, will be the principal speaker at a banquet on Tuesday night.

BRANNAN ASKS REA BACK FARM PHONES, New York Times, February 1, 1949 --

Secretary of Agriculture Charles A. Brannan urged yesterday that the Federal Government extend the REA's program into the field of telephony by granting loans that would bring telephones to about 3,000,000 of the 5,850,000 farms in rural America.

Mr. Brannan's suggestion was warmly received by 4,000 delegates at the opening session of the seventh annual convention of the National Rural Electric Cooperative Association at the Hotel Commodore. Members of Federal-financed rural power systems, the delegates hailed from forty-two states and Alaska.

Mayor O'Dwyer welcomed the convention--"with a deep apology on behalf of the weatherman." He expressed the wish that New York could harness and develop its natural resources "as well as you have," and while he would not "presume to go into serious discussion" of the subject of power, he said: "If you get a rooking on power, we get it on food, so it affects us, too."

Immediately on the Mayor's departure the convention turned to a discussion of the main themes: power shortages, equipment needs and the private utility "attacks".

This latter subject engaged several of the speakers, beginning with T. E. Craddock president of the NRECA, who outlined a program which, he said, the private power companies had launched to defeat public power. His remarks gave every indication of a vigorous counteraction by the public power advocates. "For the first time in 1948 your association served notice on the commercial power interests that it would fight to a finish for its member cooperatives against intrigue and double dealing. I refer to the efforts of the power companies to buy the electric systems of the Craig-Boteourt Electric Cooperatives at New Castle, Va., and the Verde Valley Electric Cooperative at Cottonwood, Arizona."

Mr. Craddock charged that "three powerful organizations lined up against us---the National Association of Electric Companies, with the highest paid lobbyist in Washington on its payroll; the Edison Electric Institute,

which poses as an educational organization and does not come under the restrictions imposed on lobbyists, and the Electric Companies' Advertising Program. The best estimates available indicate that these organizations pooled about \$2,000,000 to promote and sell their ideas. They spent \$800,000 for a single radio program," he declared.

Mr. Ellis, a former Arkansas Congressman, echoed the charges leveled against the utilities by Mr. Craddock, and declared that the \$350,000,000 recommended by the Bureau of the Budget for the fiscal year beginning on July 1, would be insufficient to the needs of the 789 Federally-financed rural electric cooperatives that are members of the NRECA. Asked what amount he considered requisite to the needs of the expanding co-ops, Mr. Ellis asserted that \$450,000,000 would be closer to the mark, although the results of a survey being made among the members might indicate a higher figure.

The delegates devoted a major portion of the afternoon session to a discussion of one of the major bottlenecks to expansion of rural electrification: aluminum conductors. Mr. Ellis disclosed that this problem would soon be overcome following the signing of a contract between the Wisconsin Electric Cooperative and the Reynolds Metals Company on January 14.

POWER SHORTAGE CALLED EMERGENCY, New York Times, February 2, 1949----

The shortage of electric power in the United States is so acute that it has reached a point of state emergency, T. E. Craddock, retiring president of the National Rural Electric Cooperative Association, declared yesterday.

Mr. Craddock's statement was a reply to a question put to him after adjournment of the afternoon session on the second day of the association's seventh annual convention in the Commodore Hotel that will end tomorrow. Asked just how extensive were the reported brown-outs and factory shutdowns because of inadequate power supplies in several areas of the country, he replied: "There is not a state in the Union in which a cooperative's power situation does not reflect an acute power shortage which has reached a point of state emergency in the nation."

There are 809 Federal-financed electric power systems operating in forty-six states and Alaska.

"Even in those general areas which have not felt the shortage deeply the cooperatives have, by reasons of their location or inability to obtain satisfactory power arrangements, felt the shortage," Mr. Craddock added.

He said the situation was particularly acute in Washington, Oregon, Tennessee, Arkansas, North Carolina, North and South Dakota, Iowa and Arizona. The Rural Electrification Administration, he said as further evidence of the cooperatives' plight, is known to have placed stop orders on construction and suspended action on loan applications "because there

was no source of power." In Arizona, he asserted, some electric cooperatives have had "to go out of business" for the same reason.

President Truman assured the delegates that the administration "would provide loans as rapidly as funds are required to extend electrification to rural areas * * *."

In a message delivered at a convention dinner last night by John R. Steelman, assistant to the President, Mr. Truman hailed the record of the NRECA as "one of great service to the country" and cited the fact that thirteen years ago only one out of every nine farms had electricity, compared with seven out of ten today.

Mr. Steelman, who also is acting chairman of the National Security Resources Board, scored opponents of REA who hold that the Government could not afford to build power lines to bring electricity to the farm. with the statement that the REA program is "self-liquidating," and went on, "I might add that this is a unique program, for in thirteen years we have never had a default by any rural electrification cooperative.

Clark T. McWhorter of Blair, Oklahoma, a director of the association, was elected president to succeed Mr. Craddock. C. H. Seybold of Rockville, Indiana, a member of the Indiana section, was elected vice president, to succeed Ben Jaspers.

Claude R. Wickard, REA Administrator, decried the concentration of power in the hands of big corporations and monopolies. He charged that they are "stifling free enterprise" and that this must be stopped if the free enterprise system was to be protected.

Recounting the Government's efforts to stem monopolies of the big corporations through antitrust legislation and regulatory bodies' control, he said such efforts "have failed to halt the alarming concentration" of such power.

He singled out for attack as monopolies steel, aluminum and the telephone industry, but did not name any companies. After declaring that "under monopolistic conditions big corporations are in a position to dictate when and to what extent the public may have their services without being challenged by competition." he said:

"These corporations have been known to hold back the use of patents and inventions to further their own ends. If steps are taken to introduce competition into their fields, corporation officials weep bitterly about the interest of their stockholders, who, for practical purposes have no control."

Countering charges of private utilities that the REA exemplified state control, Mr. Wickard said that the program "actually leads to decentralization of ownership and control back to the grass roots, back to the people who use the service and pay the bills."

In vigorous espousal of REA assistance for the extension of telephone lines, Representative W. R. Poage, Texas Democrat, who has introduced House Bill 113 to amend the REA Act to provide rural telephones, said:

"The high-rate policy of the Bell System (the American Telephone and Telegraph Company) not only resulted in a loss of probably two million rural telephone connections: it left another great group of rural lines or systems with no feasible switchboard connections and therefore with no ability to provide anything like reasonable service.

"Where the Bell System has no competition its rural service has often fallen to inexcusably low levels. This is particularly true in the South, where less than 10 percent of the farm homes had telephones in 1940. In Georgia and South Carolina not one farm in 25 had a telephone."

Senator Estes Kefauver, Tennessee Democrat, presented a historical picture of the Tennessee Valley Authority and described the advantages that resulted from the Federal project to the economy of the region. Quoting from an editorial that appeared yesterday, "Billions for Rivers?", Senator Kefauver expressed the hope that the realization would become more widespread that the production of aluminum and steel were heavily dependent on the further harnessing of the nation's waterways.

NORTHEAST IS SEEN USING U. S. POWER, New York Times, February 3, 1949---

Secretary of the Interior Julius A. Krug, described as "the biggest power operator in the world," gave further evidence yesterday of his claim to the title with the disclosure that the northeastern section of the United States, including New York and the New England area, eventually may derive its electricity from the Federal Government.

In his first public statement on the power issue since the President recommended that the Tennessee Valley Authority experience be applied to "our other great river basins" in his State of the Union message on January 5, Mr. Krug also disclosed that the budget request for public power would be "50 percent higher than it was the last time and several hundred times greater in some areas of the country, particularly in the Southwest."

Mr. Krug's remarks were made during a press conference in the Commodore Hotel following his address before 4,000 delegates attending the third session of the National Rural Electric Cooperative Association's convention, which ends today.

Asked for his reactions to the contentions of private power spokesmen that a power shortage does not exist, the Interior Secretary said the statement was "characteristic of what they have been saying for two decades. The private utilities said the TVA power could never be sold. Today the agency needs more power than it can produce." He added that three "big" aluminum companies had visited him in Washington recently asking where they could go

to get a sufficient supply of electricity to make aluminum, "and there was no place for them to go."

Mr. Krug said the United States has a potential hydroelectric source of 77,000,000 kilowatts in undeveloped waterways. He estimated that the total national production last year exceeded 17,000,000 kilowatts.

In his address to the delegates, Mr. Krug sought to temper the implied impossibility of Federal power proponents co-existing with private utilities. He referred to a contract signed a few months ago between the Department of the Interior and the Georgia Power Company for the sale to the latter of the department's power output at the Allatoona Dam on the Etowah River near Cartersville, Georgia.

"This contract, which will yield the United States over \$1,000,000 a year, is good for both sides" and "leads me to have at least some hope that the blind opposition on parts of the power industry to the Government's program for developing and marketing of power will be abandoned in favor of a good faith effort to develop workable arrangements which both meet the requirements of public policy and yield a fair deal to private management," Mr. Krug said.

He said that in some areas, like the TVA, the predominance of the power resources to be developed by the Government may be such that the "entire power market will ultimately be served from Federal projects. * * * In either case, private equities and interests can and should be protected fully." Amplifying this latter statement he said that acquisition of private power systems by the Government would be made by payment of 100 cents on the dollar for their investments as was the case when TVA purchased the companies in its area.

Reiterating the contentions of previous speakers at the four-day gathering Mr. Krug said the power shortage was critical. "Any industrialist who wants to build a plant to use a large block of power will search the nation only to find that he must wait two years or more before he can get it," he said.

The Interior Secretary decried attacks on Federal power developments, declaring: "Some high priced lobbying talent and some vicious propaganda have been employed. Most of you know that the top power lobbyist in Washington receives a larger annual salary than the combined and total annual pay of any four of the President's nine Cabinet officers. Only last week this gent commanded news headlines in our leading newspapers by damning the President's proposal for a Columbia Valley Authority."

Asked whom he meant when he referred to the "top power lobbyist," Mr. Krug said the man was P. L. Smith, president of the National Association of Electric Companies. He added that the CVA bill was quite certain of adoption, either in this session or the next.

Reference to Mr. Krug as "the biggest power operator in the world," came during his introduction by the association's executive manager, Clyde T. Ellis. Under Mr. Krug's administration are the Bonneville Power Administration, Bureau of Reclamation, Southwestern Power Administration and other agencies.

Senator George D. Aiken, Republican, of Vermont, sought to dispel earlier pessimism among the delegates who heard on Monday and Tuesday that the Hoover Commission reports, which are expected to reach Congress tomorrow, would call for a sharp reduction of activities in the Rural Electrification Administration.

He said: "To the best of my knowledge, there is not the slightest desire or intention on the part of this (Hoover) commission to recommend changes in the function, name or location in the Government of the REA. If, when I get back to Washington, I get into anything for telling you that today, you will have to stand by me, but I thought you ought to know."

Mr. Aiken, who is a member of the Hoover Commission on Government Reorganization, and a champion of the proposed St. Lawrence Seaway and Power Project, said the people of New York and New England pay about \$400,000,000 a year for power above TVA rates. "This excess charge against the people of the Northeast would pay the entire cost of the development both for navigation and for power in two year's time."

"I hate to think of what would have happened if we had not had the TVA, Hoover and Bonneville projects during the last war. God forbid that we should be plunged into another war, but if that should happen, we must not be caught short of power," he concluded.

The final session today will be devoted to formulation and adoption of resolutions by the association. It was learned yesterday that while some of the issues will be debated at length, the major points, covering rural electrification, "will be acted upon quickly in the interest of hastening relief of the critical power shortage."

CO-OP GROUP SEEKS PUBLIC POWER AID, New York Times, February 4, 1949----

As the climax to the largest gathering of public power proponents in history, the convention of the politically influential National Rural Electric Cooperative Association fired yesterday a barrage of twenty resolutions urging President Truman and the Congress sharply to increase the public-power budget and broaden the powers of several public agencies. The action of the 4,000 delegates has the support of more than 2,500,000 farmers whose electricity is supplied by 789 Federal-financed power systems in forty-six states and Alaska. The parley was held in the Commodore Hotel.

With an unanimity of action that augured ill for the efforts of private power to defeat the two House and one Senate bills introduced by Congressmen from Tennessee for creation of a steam plant at New Johnsonville,

several of the resolutions scored the utilities whose representatives "have been false prophets from the standpoint of their statements in relationship to private power generation ***." That resolution went further to say that there has been "an almost continual decrease in the amount of available reserves of (electric) energy in America going from 52 percent in 1925 to less than 5 percent in 1948."

Indicative of their optimism, backed by the Administration's support which spokesmen expressed during addresses on Monday, Tuesday and Wednesday, the delegates endorsed the recommendations of the President and his council of economic advisors for immediate action on the construction of the steam plant at New Johnsonville, urged "prompt action" on creation of the hydro-electric sites on the Missouri and Columbia rivers, "and other basin developments which have been suggested throughout the nation."

Envisaging the rural electric program as an integral part of the national power plan, the delegates asked that loan funds to rural electric cooperatives for the coming fiscal year be set at \$450,000,000. Last year they asked \$350,000,000, received \$225,000,000, and later, with Mr. Truman's backing, a "deficiency" allotment of \$150,000,000 was approved. The estimate of the Bureau of the Budget for the 1950 fiscal year is \$350,000,000 or \$100,000,000 less than the association's requested amount.

A resolution also was adopted asking that the amortization period of Rural Electrification Administration loans (which bear interest of 2 percent a year) be changed from thirty-five to fifty years. In addition, they asked Congress to make available to the farm electrification division of the Agricultural Research Administration and to the REA \$500,000 a year for research and study on the agricultural uses and technical problems of rural electric systems.

The growth of the REA and its added administration tasks with 2,500,000 consumers on REA-financed power lines, was advanced as justification for a request from Congress for "at least \$8,000,000 for REA administration purposes during the next fiscal year."

An appeal also was made to the President and the Congress not to support any proposal that might be included in the Hoover Commission's reports that would "dissolve the REA," or "disturb the power policy to the detriment" of the nation.

As the seventh annual convention adjourned the delegates adopted a resolution thanking Mayor O'Dwyer and the city for extending to them "hospitality that was unsurpassed." The 1950 meeting is scheduled to be held in Chicago at the Stevens Hotel.

NRECA REPORT IRKS PRIVATE PRODUCERS, New York Times, February 6, 1949-----

Somebody must be wrong in the growing controversy over the nation's electric power supply.

For four days last week the most volatile representatives of public power --- 4,000 members of the National Rural Electric Cooperative Association --- insisted that the shortage of electricity is so acute that it has reached a point of state of emergency. No less an authority than Secretary of the Interior Julius A. Krug told the NRECA in convention here that the power shortage was critical.

"Any industrialist who wants to build a plant to use a large block of power will search the nation only to find that he must wait two years or more before he can get it," he asserted.

Turning to the private power companies, Col. H. S. Bennion, vice president and managing director of the industry's fact-finding Edison Electric Institute, yesterday sharply criticized the NRECA statements and insisted that the institute's year-end national survey of the power supply situation refuted the opposition's contention.

The private power companies, he said, supply more than half of the farms of the country (there are 6,000,000) with electricity, "Just recently," he recalled, "the electric companies started an 'electric kitchen' program involving millions of dollars for promoting the sale of electric ranges; an intensive lighting campaign, and other sales efforts that prove we have a selling job, rather than a conservation job."

Purporting to contradict the public power proponents' declaration that the amount of reserve capacity has dropped from 52 percent in 1925 to less than 5 percent now, Colonel Bennion said that by the end of this year the private power companies expect to have a reserve margin of more than 10 percent, and that the present rate of electric energy consumption throughout the country points to a normal (12 to 15 percent) margin of reserve by 1950, instead of 1951 as estimated in the December survey.

Nor is that the only issue on which private and public power are of directly opposite minds. They frequently clash over the role of Government.

Encouraged by the support of Administration leaders who addressed them at their convention, the NRECA members unanimously approved several resolutions that urged that the President and the Congress finance with millions of dollars many programs for broader Federal participation in the business of generating and transmitting electric energy. When such men as Representative W. R. Poage, Democrat, of Texas; Senator Estes Kefauver, Democrat of Tennessee, and his Republican colleague in the Senate, George D. Aiken, belittled and scoffed at cries of socialism through electricity, the private utility men expressed grave concern over the future course of the nation.

On this score, Colonel Bennion said that the industry repeatedly had warned Appropriations Committees that the construction of Federal dam sites, creation of power authorities and administrations was inimical to democratic government. "Now," he asserted, "it is no longer a problem that concerns only the utilities, but the people of the nation."

Expanding on this theme, he declared that while there are those who think that the Rural Electrification Administration may be a self-liquidating project, it is only one of the numerous drives toward eventual control by the Government of a powerful medium for control of the people. He cited statements by members of a Parliament who have been saying recently that the arrival of socialism was given impetus in England through nationalization of the power and light industry there.

Here again, there is a sharp divergence of opinion but an equal amount of conviction that each "side" is the right one. If they serve no other purpose, conventions--at least those held by the private and the public power proponents--magnify seemingly irreconcilable issues.

GROUP MAPS FIGHT FOR PUBLIC POWER, *The New York Times*

DECEMBER 15, 1948 -- Proponents of public power, as represented by the National Rural Electric Cooperative Association, are drawing up their lines for a legislative battle in the Eighty-first Congress.

In a drive to bring electric service to "nearly two million rural families," Clyde T. Ellis, executive manager of the association, announced yesterday a legislative program for 1949. He cited four requirements for legislative action to overcome "major obstacles which have bogged down the rural electrification program in many quarters."

1. The Rural Electrification Administration must be enabled to get funds authorized for lending and it must be able to keep enough personnel to function efficiently.
2. The bottleneck in electric conductors due to the aluminum shortage must be broken.
3. Adequate supplies of reasonable wholesale power or generating capacity must be made available to rural electric systems.
4. Construction costs must be held to reasonable levels and properly accounted for in determining feasibility.

The association will recommend that Congress repeal or suspend the import duty of 2 cents a pound on pig aluminum and more on rod and conductor aluminum. Mr. Ellis said he would propose that Congress, "or the Executive Department," stop all aluminum exports, except those essential to the Marshall Plan.

"Congress should see to it," the manager continued, "that the existing aluminum capacity of the country, much of which is idle, in certain areas. Requirements of the rural electrification and public power programs should be given a priority second only to military requirements."

Regarding power supply, Mr. Ellis said that even though private companies had power, rural systems "fear being cut off by the power companies or denied power for future expansion."

To correct this condition, he said, the association would recommend that "the whole generation and transmission activities of the rural electric program be stepped up, even if this requires changing the basic REA Act."

Mr. Ellis saw the possibility of a liberalized REA policy under existing law. He said the agency might deduct from total generation costs the expected value of the generation system at the end of the required amortization period.

The manager declared that Congress "should immediately remove generation loan restrictions imposed by the Senate Appropriations Committee reports in the last two sessions."

Another proposal was that Congress amend the REA Act to permit a rural system to build transmission lines large enough to meet its own needs and the wholesale power requirements of the area.

High construction costs are "almost inflexible," Mr. Ellis said, adding that other factors balanced off those costs. He declared that with low-cost power from Federal hydro plants, "realistic" amortization of REA loans and increase loads on rural lines, extension of lines into thinly populated areas was possible.

